

# OMICRON OVERREACTION?

## INVESTORS SEEK CLARITY ON NEW VARIANT

November 29, 2021

**Financial markets pulled back at the announcement of a new COVID-19 variant, Omicron. It is premature to definitively state whether the variant’s presence will be a lasting financial market issue. We expect key information on its global health and policy impacts to come over the next few weeks. Below we share our early-stage findings from the incremental news released thus far.**

**Transmission rate fears may be overdone.** Omicron appears to have originated in South Africa where HIV rates are high and vaccination rates are low. It is caught by standard PCR tests as opposed to full genetic sequencing, so it is more easily detected. It is also unclear how reliable the South African detection rate is, as Omicron may have been spreading undetected earlier such that rapid growth claims may be overstated. Omicron is feared to be more transmissible than the Delta strain when it reaches developed economies; but all of the above reasons indicate that those fears may be overdone.

**Many layers of protection in place.** Omicron shows more mutations than previous variants of concern and it is reasonable to conservatively assume that vaccines will have reduced efficacy. With that said, we now have many layers of protection in the form of vaccines, natural immunity, treatments and diagnostics. And while the efficacy of some layers may decline, it would originate from high levels. Early news has been somewhat reassuring on this front. Omicron cases appear to be fairly mild in severity so far. Former head of the Food and Drug Administration (FDA), Dr. Scott Gottlieb, said that within vaccine circles there is reasonable confidence that current vaccines will remain effective.

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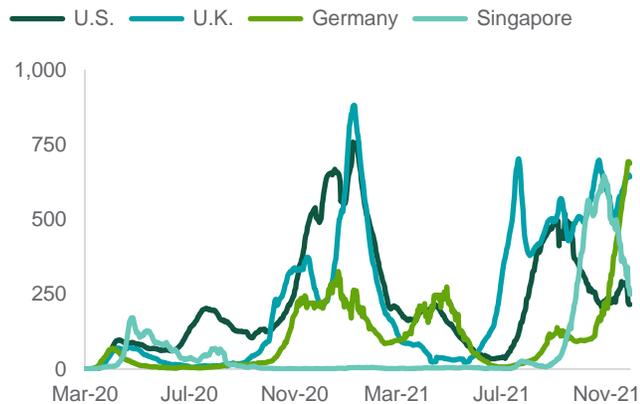
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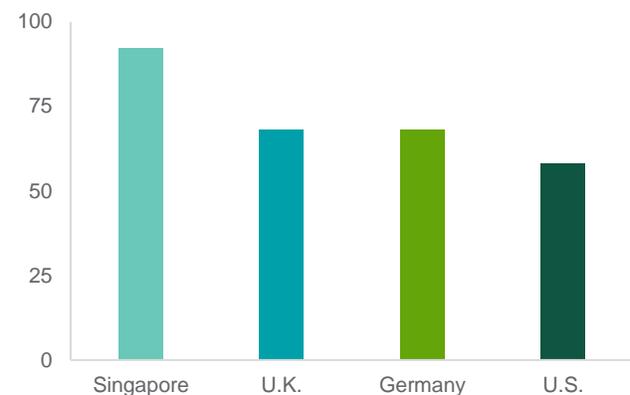
### EXHIBIT 1: PROTECTIVE MEASURES HELP PREVENT LOCKDOWNS

Vaccines and natural immunity limit severe disease, allowing some governments to avoid lockdowns despite volatile infection rates.

DAILY CASES PER 1M POPULATION



FULLY VACCINATED RATE (%)



Source: Northern Trust Asset Management, Bloomberg, Our World In Data. Data as of 11/28/2021.

Pfizer's CEO stated he is very comfortable its new antiviral treatment (Paxlovid) will still work. Early data shows most diagnostics continue to function, allowing for containment screening. Finally, it should not be difficult to adapt current vaccines to produce a more targeted solution.

**The financial market impact.** At this stage it is too early to tell whether or not Omicron poses a meaningful risk to our financial market outlook. Financial market volatility is understandable given the uncertainty surrounding the nature of the new variant in its early stages of discovery. Encouragingly, global equities have already recovered some of last week's initial pullback. Vaccine efficacy against severe disease and limited political desire to return to the stringent lockdowns of the pandemic's past will be key to a continued constructive growth outlook. Countries with less effective layers of protection and lower levels of natural immunity remain most at risk of ongoing COVID-19 headwinds. We will continue to evaluate the situation as it evolves over the coming weeks.

## EXHIBIT 2:OMICRON Q&A

Answers to many key unknowns will soon unfold. Below we summarize our views for some.

QUESTION	OUR VIEW
How transmissible is it?	Indirect evidence from the rise in case numbers in South Africa indicate it could be more transmissible than the Delta variant, but we believe transmissibility may be overstated.
How harmful is it?	This is unclear. Historically, viruses become less deadly as they mutate. Cases appear to be fairly mild in severity so far.
Are vaccines still effective?	Vaccines will probably be less effective; however we believe it is unlikely that protection against severe disease would fall below 50%.
Are treatments still effective?	Treatments, such as Paxlovid, should be very helpful in mitigating the pandemic's health and economic impact. We expect this to remain the case with Omicron.
Will protection from natural immunity be reduced?	We believe protection from prior COVID-19 exposure will likely persist, but possibly at lower levels.

Source: Northern Trust Asset Management.

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